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Rexall

ANNUAL REPORT

Rexall Drug · Inc · December Thirty-First Nineteen Hundred and Forty-Nine

MRB
Corp. File dup

directors

Earl E. Anderson	Montclair, N. J.
Arthur S. Barrows	Los Angeles, Calif.
Justin W. Dart	Los Angeles, Calif.
Scott J. Dow, Jr.	Los Angeles, Calif.
Paul A. Draper	Boston, Mass.
Joseph A. Galvin	Los Angeles, Calif.
Edward J. Griffing	Boston, Mass.
William G. Johnston.	Los Angeles, Calif.
James Knowles, Jr.	St. Louis, Mo.
F. Thatcher Lane	New Haven, Conn.
Walter T. Lillie	Los Angeles, Calif.
James L. Richards	Boston, Mass.
Irving W. Smead	Los Angeles, Calif.

executive committee

Justin W. Dart, Chairman.	Los Angeles, Calif.
Earl E. Anderson	Montclair, N. J.
Arthur S. Barrows	Los Angeles, Calif.

officers

Joseph A. Galvin	Chairman of the Board
Justin W. Dart	President
C. Earl Cooper	Vice-President
Scott J. Dow, Jr.	Vice-President
Edward J. Griffing	Vice-President
William G. Johnston.	Vice-President
James Knowles, Jr.	Vice-President
F. Thatcher Lane	Vice-President
Walter T. Lillie	Vice-President and Controller
Fred Schmid	Vice-President
Irving W. Smead	Vice-President and Treasurer
Harold E. Price	Secretary

transfer agents—Guaranty Trust Company of New York, New York—State Street Trust Company, Boston—Bank of America National Trust & Savings Association, Los Angeles

registrars—The Chase National Bank of the City of New York, New York—The National Shawmut Bank of Boston, Boston—California Trust Company, Los Angeles

general counsel—Adams, Duque, Davis & Hazeltine, Los Angeles

independent auditors—Price, Waterhouse & Co.

general headquarters—Rexall Square, 8480 Beverly Boulevard, Los Angeles 48, California

The PRESIDENT'S LETTER

To the Stockholders of Rexall Drug, Inc.:

Sales

Consolidated net sales of your Company and its subsidiaries for 1949 were $156,363,621 as compared with $173,906,515 in 1948.

This reduction was largely the result of continuing the program of closing or selling Company-owned marginal retail stores. Sales in retail stores operating through both years were generally satisfactory for the first half of 1949 but declined with the general trend of drug retailing in the second six months. At December 31, 1949, we had 346 stores in the United States compared with 422 a year ago. During the year 6 were opened, 12 were enlarged or substantially remodeled, 56 were sold to purchasers signing Rexall franchise contracts, and 26 were closed at the termination of their leases.

Sales to Rexall Dealers were slightly higher for the year. Sales of products other than Rexall, by the manufacturing subsidiary group, declined.

Earnings

Consolidated net loss of your Company and its subsidiaries for the year ended December 31, 1949, amounted to $1,250,406 or 36¢ per share as compared with net earnings of $1,415,869 or 40¢ per share in 1948.

There was a larger loss from Company-owned stores than in the previous year. The lower trend of sales in the last six months resulted in operating losses that exceeded the economies effected by the reorganization of the retail companies during the first half of the year. Substantial amounts were absorbed last year in lease cancellation payments and in losses incurred in the sale of stores amounting in the aggregate to approximately $700,000. In addition, there were general expenses incurred in connection with our store reduction program which it is difficult to determine accurately. We were unable to complete this program entirely in 1949.

Profits attained from the sale of Rexall trade-marked products were lower for the year due principally to higher manufacturing and distribution costs.

Profits of manufacturing subsidiaries were smaller for the year but the trend in these operations was generally more favorable in the last four months of 1949.

Current Financial Position

Current assets as of December 31, 1949, totaled $57,519,000, of which $14,400,000 was in cash or marketable securities. Current liabilities totaled $15,027,000, leaving net working capital of $42,492,000, a decrease of $4,098,000 during the year.

This decrease was expended as follows:

Reduction in funded debt	$1,485,000
Acquisition of a third interest in Blum's, Inc. (confectioners), concurrent with the discontinuance of candy making by the Company, less $250,000 advanced to Blum's in 1948	363,000
Purchase of interests in various Rexall chains including Ford Hopkins, which company purchased substantially all our midwestern stores	700,000
Expenditures of $3,500,000, chiefly for fixtures and improvements in new and upgraded stores, etc., less $2,025,000 for depreciation applicable to 1949 and $1,175,000 for properties sold, principally in connection with store closings	300,000
Loss for the year 1949	1,250,000
	$4,098,000

Consolidated net worth at the end of 1949 amounted to $36,222,539 or $10.45 a share, compared with $37,603,363 or $10.84 a share at the end of 1948.

Inventories

Inventories were reduced $4,695,000 during the year to $34,283,000.

Most of this reduction occurred in our retail groups but the inventories carried in our manufacturing subsidiary group were also substantially lower.

Funded Indebtedness

Funded indebtedness to banks and insurance companies outstanding as of January 1, 1949, was reduced during the year by $1,485,000.

Compensation to Management

Total compensation of your officers and directors was $369,801 for services rendered in 1949 compared with $426,376 in 1948. This sum amounted to 1.0% of total consolidated payroll or 0.24% of consolidated net sales.

Outlook and Plans

Company-Owned Stores. At the beginning of 1950 we had approximately 50 more stores to sell or close. We plan to sell about 20 of these stores to local drug chains in connection with the acquisition by them of Rexall franchises covering all of their stores.

Within the first half of 1950 we will substantially complete the store reduction program. Our remaining stores will then be in locations which fit into the operational pattern of our retail companies and will comprise stores that are either profitable now or are believed to have potentials of becoming profitable within a reasonable period.

Currently we are handicapped in the operation of these stores by an unfavorable sales trend. Every effort is being made to stimulate retail sales.

During 1950 we plan to open 4 new stores and to enlarge 5 others. We will continue our program of upgrading in all stores.

Rexall Trade-Marked Products. Our national radio program has made Rexall a household word. The new form of national magazine advertising, started so successfully last Fall, will be continued. We have a vigorous and aggressive program for a substantial increase in new Rexall accounts. Last Fall's One-Cent Sale was the most successful in the Company's history and the pattern will be followed in 1950. All of these activities should contribute to increased sales of Rexall products this year.

Manufacturing Subsidiaries. Volume and profit trends are favorable in our manufacturing subsidiaries, particularly The Seamless Rubber Company, which is one of the largest producers of surgical, household, and athletic rubber products in the country.

During the year, as previously announced, we formed a new wholly-owned manufacturing subsidiary to develop and sell open market pharmaceutical products not related to our general line of Rexall manufactured products. The name of this company has been changed from Coe Chemical Company to Riker Laboratories, Inc., due to interference with names of existing companies. We are encouraged by the progress of the research and development work accomplished to date and it is probable that one ethical drug product with favorable sales possibilities will be ready for general distribution before the end of 1950.

Summary of Outlook. Our forecast indicates some operating improvements during 1950 in practically all divisions of your Company. The loss for the first six months of this year should be smaller than for the first half of 1949. If our volume in the retail and Rexall divisions is maintained near 1949 levels the year as a whole should produce a profit. We will again issue a brief report of progress for the first six months of the year.

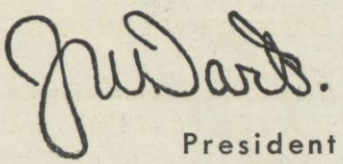
Your management is continuing its strenuous efforts to reduce expenses of all kinds as rapidly as possible.

Conclusion

Your Board of Directors and other members of management wish to express their appreciation for the unusual efforts of our employees and for the continued enthusiastic cooperation of our Rexall Dealers.

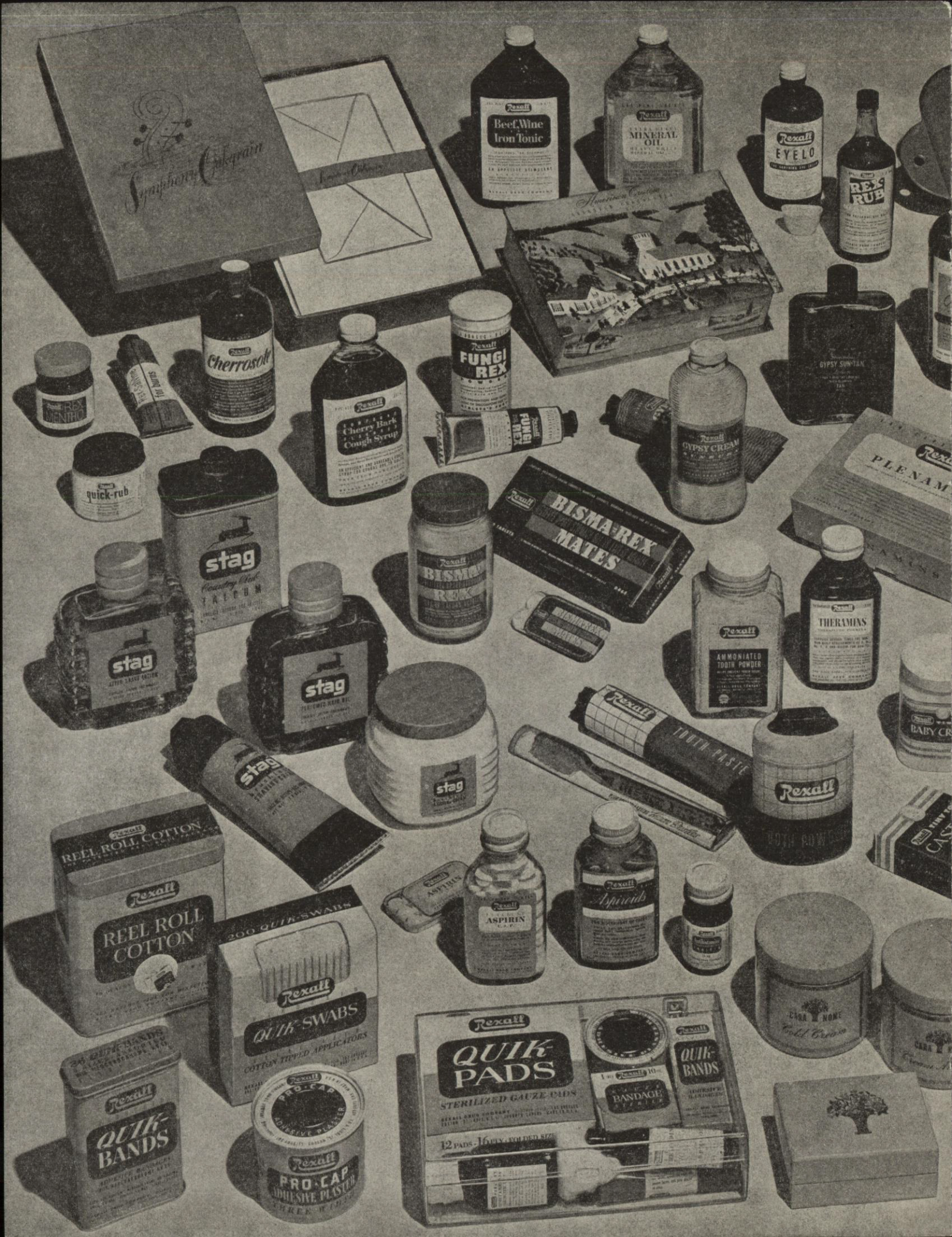
We urge you to exercise your voting rights and to return your proxy as speedily as possible.

Respectfully submitted,



President

March 21, 1950


Symphony Cakespain
Beef, Wine & Iron Tonic
Rexall
MINERAL OIL
EYELO
REX RUB
Cherrosote
Cherry Bark Cough Syrup
FUNGI REX
GYPSY SUN-TAN
GYPSY CREAM
quick-rub
REX MENTHO
stag
TALCUM
BISMA-REX MATES
THERAMINS
AMMONIATED TOOTH POWDER
TOOTH PASTE
REEL ROLL COTTON
200 QUIK-SWABS
COTTON TIPPED APPLICATORS
ASPIRIN
Aspirols
QUIK-BANDS
PRO-CAP ADHESIVE PLASTER
QUIK-PADS
STERILIZED GAUZE PADS
12 PADS - 16 PLY FOLDED SIZE
BANDAGE

You Have An Investment In These Products . . . Do You Use Them?

As a Rexall stockholder, you play a vital part in the manufacturing of nearly 5,000 drug and related products. That's a big family — and a lot of product names to remember. Some of your more important products are shown here. Are you using these top quality Rexall products, or competing ones? How about your friends and relatives? You can become a Rexall salesman. By so doing, you'll be helping your company and helping yourself. Visit your neighborhood Rexall Drug Store. Become acquainted with the manager or owner . . . have him show you these and other fine Rexall Drug Products.

Rexall Bisma-Rex . . . . . antacid powder and tablets
Rexall Puretest Aspirin . . . . . no finer aspirin is made
Rexall Plenamins . . . . . multi-vitamins with liver, concentrate and iron
Rexall Mineral Oil . . . . . for relieving constipation
Rexall Mi 31 Solution . . . . . all purpose antiseptic
Rexall Cherrosote . . . . . double action cough syrup
Rexall Fungi-Rex Products . . . . . relieve discomforts of Athlete's Foot
Rexall Milk of Magnesia . . . . . antacid and laxative
Rexall Klenzo Antiseptic . . . . . cinnamon flavored mouthwash
Rexall Aspiroids . . . . . relieve discomforts of simple colds
Rexall Gypsy Cream . . . . . for relieving sunburn and skin irritations
Rexall Beef, Wine and Iron Tonic . . . . . appetite stimulant and tonic
Rexall Eyelo . . . . . soothing, cleansing eye lotion
Rexall Theramins . . . . . therapeutic multi-vitamin product
Rexall Cherry Bark Cough Syrup . . . . . pleasant flavored cough syrup
Rexall Quick-Rub . . . . . counter-irritant rub and for steam inhalations
Rexall Antihistamine Tablets . . . . . help prevent simple colds
Rex-Seltzer . . . . . alkalizer for simple colds and headaches
Rex-Rub . . . . . relieves muscular aches and pains
Rex-Salvine . . . . . antiseptic salve for minor burns
Rex-Mentho . . . . . counter-irritant chest rub
Rexall Tiny Tot Baby Products . . . . . complete line of superior baby products
Rexall Tooth Paste and Tooth Powder . . . . . finest quality dental products
Rexall Ammoniated Tooth Powder . . . . . helps prevent dental decay
Rexall Gypsy Sun Tan Lotion . . . . . for promoting sun tans
Cara Nome Cosmetics . . . . . complete line of beauty aids
Stag Toiletries for Men . . . . . complete line of grooming essentials
Nymer Neal American Custom Chocolates . . . . . favorite gift package
Kantleek Water Bottle . . . . . guaranteed for five years
Rexall Pro-Cap Adhesive Tape . . . . . less irritating than ordinary adhesive tapes
Rexall Reel-Roll Cotton . . . . . finest absorbent cotton in special package
Rexall Quik-Bands . . . . . ready-made adhesive bandages
Rexall Quik-Swabs . . . . . handy, cotton-tipped applicators
Rexall First Aid Kit . . . . . completely equipped for home, office and car
Stork Nurser . . . . . handy, sanitary nursing bottle
Rexall Toothbrush . . . . . scientifically designed, long wearing
Symphony Writing Paper . . . . . distinctive styles and finishes

REXALL DRUG, INC. (incorporated in Delaware) AND ITS

Consolidated Balance Sheets

	1949	1948
Current Assets		
Cash in banks and on hand	$14,032,850	$15,452,323
Canadian Government bonds and other foreign investments (*market quotations, approximately $400,000 in 1949 and $660,000 in 1948*)	366,458	563,521
Accounts and notes receivable, less estimated losses in collection —		
Customers	6,668,466	6,761,377
Others	1,617,785	1,673,937
Estimated refundable Federal taxes on income	550,000	
Inventories of merchandise, partly finished stocks, materials and supplies — at cost or market whichever lower	34,283,419	38,978,622
TOTAL CURRENT ASSETS	$57,518,978	$63,429,780
Investments and Advances, etc.		
Investments in and advances to wholly owned English and South African subsidiaries, not consolidated (*net assets of these subsidiaries were $545,000 at December 31, 1949*)	$ 340,869	$ 331,437
Miscellaneous investments, at or below cost	1,597,323	389,250
Noncurrent receivables, advances and deposits	724,384	853,663
	$ 2,662,576	$ 1,574,350
Property Accounts, at cost:		
Land, buildings and building fixtures	$ 9,937,012	$ 8,743,667
Machinery and equipment, etc.	11,370,636	11,157,556
Store fixtures, leaseholds and improvements, etc.	17,628,354	19,104,962
	$38,936,002	$39,006,185
Less — Accumulated depreciation	18,751,288	19,121,289
	$20,184,714	$19,884,896
Deferred Charges		
Prepaid insurance, taxes, rent, etc.	$ 1,034,271	$ 1,082,862
Unamortized discount and expense on debentures	91,002	105,313
	$ 1,125,273	$ 1,188,175
Goodwill, Trademarks, etc.	$ 1	$ 1
	$81,491,542	$86,077,202

NOTES:

At December 31, 1949, the companies had lease commitments covering some 230 leases expiring more than three years after that date with minimum annual rentals of approximately $3,000,000. Less than 12 per cent of this amount relates to leases expiring more than 25 years after December 31, 1949. Under certain leases the companies have obligations to erect buildings, make alterations, or install stores which it is estimated will cost not less than $1,500,000.

The income tax liabilities of the United States companies for 1941 and prior years have been settled and the estimates included in current liabilities for subsequent years are believed to be adequate.

UNITED STATES AND CANADIAN SUBSIDIARIES

December 31, 1949 and December 31, 1948

	1949	1948
Current Liabilities		
Accounts payable and accrued expenses	$11,254,283	$12,576,400
Current instalments of funded debt	1,496,382	1,495,877
Estimated Federal and Canadian taxes on income	2,276,615	2,767,842
TOTAL CURRENT LIABILITIES	$15,027,280	$16,840,119
Funded Debt, less current instalments shown above:		
Bank loans, due to December 1954	$ 2,530,000	$ 3,805,000
Sinking fund debentures, 3¾%, due 1961, authorized and issued $2,500,000	2,100,000	2,300,000
Sinking fund debentures, 3% due 1965, authorized and issued $25,200,000	24,630,000	24,630,000
Real estate obligation	147,337	157,720
	$29,407,337	$30,892,720
Reserves		
For contingencies	$ 741,000	$ 741,000
For self-insurance	93,386	
	$ 834,386	$ 741,000
Capital Stock of Rexall Drug, Inc. and Consolidated Surplus		
Capital stock — Authorized — 5,000,000 shares, par value $2.50 each Issued — 3,501,120 shares	$ 8,752,800	$ 8,752,800
Capital surplus (no change during 1949)	10,533,265	10,533,265
Earnings retained and used in the business (earned surplus), per accompanying statement *(under the funded debt indentures, $500,000 of the December 31, 1949 earned surplus is free of restrictions on the payment of dividends)*	17,117,967	18,498,738
	$36,404,032	$37,784,803
Less—Capital stock of Rexall Drug, Inc. acquired and held by a subsidiary— 33,570 shares in 1949 and 33,562 shares in 1948, at cost *(25,400 shares are optioned to executives at $6.375 per share)*	181,493	181,440
	$36,222,539	$37,603,363
	$81,491,542	$86,077,202

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF REXALL DRUG, INC.:

In our opinion, the accompanying statements present fairly the financial position of Rexall Drug, Inc., and its subsidiary companies at December 31, 1949 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Los Angeles
February 27, 1950

PRICE, WATERHOUSE & CO.

REXALL DRUG, INC.

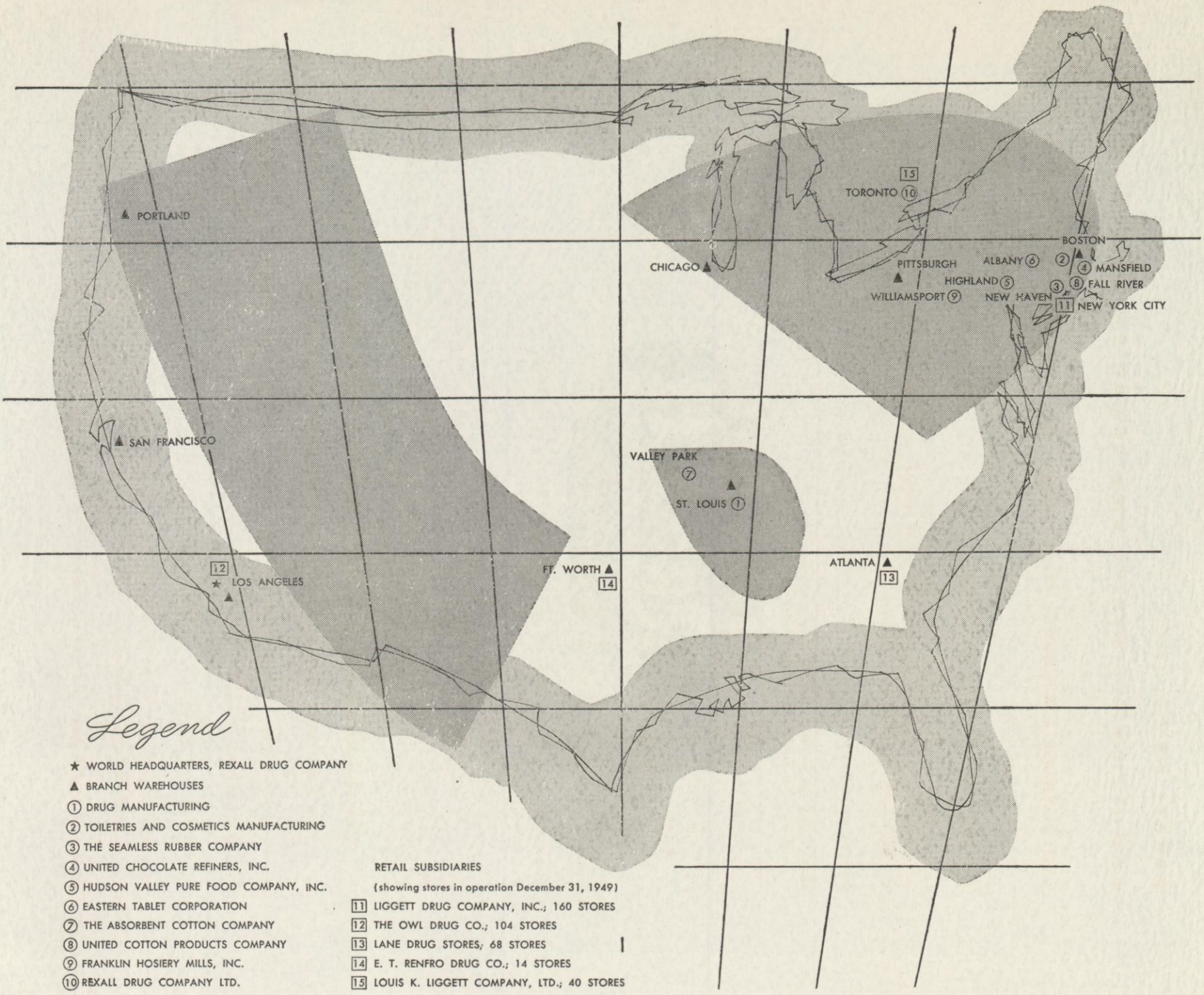
AND ITS UNITED STATES AND CANADIAN SUBSIDIARIES

Consolidated Statement of Earnings for the years 1949 and 1948

	1949	1948
Sales, less returns, allowances and discounts	$156,363,621	$173,906,515
Cost of sales, selling, distribution, promotional and administrative expenses, etc. (including depreciation of $2,025,000 in 1949 and $2,075,000 in 1948)	(156,391,627)	(172,124,754)
Interest and amortization of funded debt expense	(958,820)	(952,517)
Dividends from wholly owned foreign subsidiaries *(earnings of these subsidiaries were $50,000 in 1949 and $58,000 in 1948)*	16,593	103,001
Other income and deductions, net — chiefly from rental of real estate, disposal of properties and cancellation of leases and other contracts	(745,173) *(loss)*	673,624 *gain*
Taxes on income —		
Federal refund attributable to loss carry-back adjustments, less Canadian tax	465,000	
Provision		(300,000)
Store rehabilitation charges and abnormal personnel training expenses		(327,000)
Restoration of portion of amounts previously provided out of earnings, related charges above —		
For post war rehabilitation		327,000
For anticipated price declines		110,000
NET EARNINGS (loss) FOR YEAR	$ (1,250,406)	$ 1,415,869

Consolidated Statement of Earnings Retained and Used in the Business (Earned Surplus) for the years 1949 and 1948

	1949	1948
Balance at beginning of year	$ 18,498,738	$ 16,970,073
Net earnings (loss) for year	$ (1,250,406)	$ 1,415,869
Adjustment of unrealized Canadian exchange losses	(130,365)	112,796
Increase (*decrease*) for the year	$ (1,380,771)	$ 1,528,665
Balance at close of year	$ 17,117,967	$ 18,498,738



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★ WORLD HEADQUARTERS, REXALL DRUG COMPANY

▲ BRANCH WAREHOUSES

① DRUG MANUFACTURING

② TOILETRIES AND COSMETICS MANUFACTURING

③ THE SEAMLESS RUBBER COMPANY

④ UNITED CHOCOLATE REFINERS, INC.

⑤ HUDSON VALLEY PURE FOOD COMPANY, INC.

⑥ EASTERN TABLET CORPORATION

⑦ THE ABSORBENT COTTON COMPANY

⑧ UNITED COTTON PRODUCTS COMPANY

⑨ FRANKLIN HOSIERY MILLS, INC.

⑩ REXALL DRUG COMPANY LTD.

RETAIL SUBSIDIARIES

(showing stores in operation December 31, 1949)

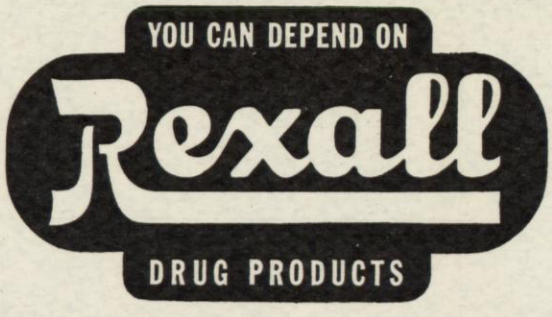
11 LIGGETT DRUG COMPANY, INC.; 160 STORES

12 THE OWL DRUG CO.; 104 STORES

13 LANE DRUG STORES; 68 STORES

14 E. T. RENFRO DRUG CO.; 14 STORES

15 LOUIS K. LIGGETT COMPANY, LTD.; 40 STORES


YOU CAN DEPEND ON
Rexall
DRUG PRODUCTS

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REXALL DRUG, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 2, 1950

The Annual Meeting of the Stockholders of REXALL DRUG, INC. will be held at the offices of the Company, 8480 Beverly Boulevard, Los Angeles, California on Tuesday, May 2, 1950, at 9:00 o'clock A.M. to continue the number of directors at thirteen and to elect thirteen directors for the ensuing year, and to transact such other business as may properly come before the meeting.

The Board of Directors, pursuant to the By-Laws, has fixed March 15, 1950, at the close of business, as the record date for the determination of Stockholders entitled to notice of and to vote at the meeting or at any adjournment thereof.

If you do not expect to be present in person at the meeting you are requested to detach, date, sign and mail the attached proxy card promptly. No postage is required if mailed in the United States.

BY ORDER OF THE BOARD OF DIRECTORS
HAROLD E. PRICE, *Secretary*

Los Angeles, March 21, 1950.

PROXY STATEMENT

PART 1—GENERAL

1. The accompanying proxy is solicited by the Management of REXALL DRUG, INC. and may be revoked by any Stockholder giving the same prior to the exercise thereof. All proxies which are properly filled in, signed and returned to the Corporation in time will be voted. Proxies must be received at the office of the Corporation, 71 W. 23rd St., New York 10, N. Y. by April 29, 1950 in order to be voted at the meeting in Los Angeles on May 2nd.

2. The items enumerated herein constitute the only business which the Management intends to present or is informed that others will present at the meeting for any action as to which proxies received from this solicitation are to be exercised or used for the purposes of a quorum. However, if other matters properly come before the Meeting, the persons named in the accompanying form of proxy intend to vote such proxy in accordance with their judgment in such matters.

3. There are 3,501,120 shares of Capital Stock of the Corporation outstanding, of which 3,467,550 are entitled to be voted at the Meeting. Rexall Drug Company, the Corporation's subsidiary, holds the remaining 33,570 shares.

4. March 15, 1950 has been fixed as the record date for the determination of Stockholders entitled to notice of and to vote at the meeting or any adjournment thereof.

5. The cost of preparing, assembling and mailing material in connection with the solicitation of proxies by the Management will be borne by the Corporation. In addition to the solicitation of proxies by use of the mails, certain officers and regular employees of the Corporation may solicit proxies from time to time personally or by telephone or by telegram without extra remuneration.

PART 2—ELECTION OF DIRECTORS

1. It is intended to vote the proxy in favor of continuing the number of directors of the Corporation at thirteen and of electing the following as directors of the Corporation to serve for the ensuing year and until their successors are duly elected and qualified:

	Beneficially Owns Capital Stock of Corporation (March 1, 1950)	*Has Been a Director Since*
EARL E. ANDERSON: Vice President of American Broadcasting Company, Inc., New York.	400	1941
ARTHUR S. BARROWS: Formerly President of Sears, Roebuck and Co.	800	1946
JUSTIN W. DART: President of the Corporation and Chairman of its Executive Committee and President of Rexall Drug Company, a subsidiary.	20,000	1942
SCOTT J. DOW, JR.: Vice President of the Corporation and Vice President in charge of Food and Restaurant Operations of the Corporation's subsidiary, The Owl Drug Co.	265	1949
PAUL A. DRAPER: President and Director of Draper & Co., Inc., Wool Dealers, Boston.	100	1948
JOSEPH A. GALVIN: Chairman of the Board of Directors of the Corporation and of Rexall Drug Company, a subsidiary.	12,242	1941
EDWARD J. GRIFFING: Vice President of the Corporation and of the Corporation's subsidiary, Rexall Drug Company.	5,600	1943
WILLIAM G. JOHNSTON: Vice President of the Corporation and President of The Owl Drug Co., a subsidiary.	300	1949
JAMES KNOWLES, JR.: Vice President of the Corporation and Vice President in charge of Production, Distribution and Warehousing for Rexall Drug Company, a subsidiary.	100	1949
F. THATCHER LANE: Vice President of the Corporation and President of The Seamless Rubber Company, The Absorbent Cotton Company, United Cotton Products Company and Franklin Hosiery Mills, Inc., subsidiaries.	11,000	1942
WALTER T. LILLIE: Vice President and Controller of the Corporation and its subsidiaries.	500	1948
JAMES L. RICHARDS: Chairman of the Board of Directors, Boston Consolidated Gas Company, Boston.	1,000	1933
IRVING W. SMEAD: Vice President and Treasurer of the Corporation and its subsidiaries.	2,200	1948

2. The proxy may be voted for the election of other persons as directors in case any of those named herein are unable to serve.

PART 3—REMUNERATION OF DIRECTORS AND OFFICERS

There is set forth below the aggregate remuneration, for services in all capacities, directly or indirectly paid or set aside during the last fiscal year by the Corporation and its subsidiaries, to or for the benefit of: (1) each person who served as a director or as one of the three highest-paid officers and whose aggregate remuneration exceeded $25,000, and (2) all persons, as a group, who served as directors and officers.

Name of Individual or Identity of Group	*Capacities In Which Remuneration Was Received*	*Fees, Salaries and Commissions*
J. W. Dart	Director and President of the Corporation and of Rexall Drug Company, a subsidiary	$50,000
F. T. Lane	Director and Vice President of the Corporation and President of certain subsidiaries	$40,000
C. E. Cooper	Vice President of the Corporation and certain subsidiaries	$34,000
I. W. Smead	Director, Vice President and Treasurer of the Corporation and its subsidiaries	$27,500
E. J. Griffing	Director and Vice President of the Corporation and certain subsidiaries	$27,500
All Directors and Officers, as a Group		$369,801

No payments were made during 1949 to, or for the benefit of, any directors or officers as bonuses or shares in profits or in connection with any pension or retirement plan.

None of the 1949 remuneration payments set forth above exceeded the corresponding amounts paid during the preceding fiscal year by more than 10% with the exception of Mr. C. E. Cooper who received $22,000 in excess of the remuneration he received for the eight months he was employed during 1948.

Mr. C. E. Cooper, upon entering the Corporation's employ in 1948 borrowed $37,980 from Rexall Drug Company, a subsidiary corporation, in order to finance the purchase of a home in Los Angeles, California. The loan, which has been reduced to $27,780, is evidenced by a demand note bearing interest at the rate of 3% per annum and is secured by a mortgage on the property acquired which is subordinate to a first mortgage in the amount of $16,680.

BY ORDER OF THE BOARD OF DIRECTORS

HAROLD E. PRICE, *Secretary*

March 21, 1950.